

Minutes

Seattle City Employees' Retirement System
Regular Board Meeting

Wednesday, October 5, 2011 – 9:00 a.m.
Pacific Building, 9th Floor

Present: ☒ Jean Godden ☒ Glen M. Lee ☒ Rod Rich ☒ Robert Harvey, Jr. ☒ David Stewart
 ☒ Lou Walter ☒ Jean Becker

Others Present: Carlton Seu, Esq., CAO; Mike Monaco, Esq., Song Mondress; Cecelia M. Carter, SCERS; Anthony Smith, SCERS; Beverly Yapp, SCERS; Steve Neubauer, SCERS; Lindsay Reid, SCERS; Lisa Carns, SCERS; Steve Kovac, SCL; Steve Viney, retiree; Karen Young, City Employee; Jim Taylor, ARSCE; Kory Hoggan; Lenée Jones; Tom Kirn; Patti Kieval, Local 17.

Councilmember Godden, Chair - called the meeting to order at 9am

Lou Walter present via the telephone.

Public Comment:

there being none

Minutes:

Information: Provided in the Retirement Board packet are the minutes from the September 7, 2011 Retirement Board Regular Meeting.

Motion: Upon motion by Bob Harvey, seconded by Rod Rich, the Retirement Board approved the minutes from the September 7, 2011 Retirement Board regular meeting.

Glen Lee arrived at 9:02am and left the room immediately after arriving.

Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

Information: The following items represent normal expenses and nothing extraordinary.

Service	\$9,396,787.79
Beneficiary	\$884,797.70
Disability	\$75,697.36
Pension Payroll – PPE September 30, 2011	\$10,357,282.85

Office Payroll – PPE August 2, 16 & 30, 2011	\$106,752.98
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Vouchers Processed – August 31, 2011	\$1,691,115.20
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- *Expert and Consultant Services – \$102,645.47
- *Investment Management Fees – \$1,497,565.77
- *Interdepartmental Charges - \$69,619.40
- *Miscellaneous - \$21,284.56

Glen Lee returned to the meeting at 9:07am.

Immediate Withdrawals of Contributions for the month of September 2011:

MEMBER	Department Name	Position
Fuerte, Nanette M	Parks	Rec Leader
Trumbauer, Sophia D	SPL	Library Assist 11
Newton, Brady K	SCL	Power Dispatch
Sundsten, Mark T	SCL	IT Prof A
Alden, Jeffrey D	FAS	Warehouse Spvr
Bruce, Monica Talteres	DON	Admin Permit Tech
Hanson, William Raymond	SCL	IT Manager
Baker, Theodore J	Parks	Grounds Sr Lead
Spicknall, Jessica R	SPL	Page
Coffman, Virginia R	SDOT	Assoc Trans Planner
Nelson, Matthew E	SPL	Library Assoc
Rubio, Mario G	HSD	Family Support
Bartley-Cronk, Lesline Audrey	OED	Admin Spec
Cary, Ruth H	SPL	Librarian
Parashar, Deepak K	SCL	Student Engr
Updegrave, Samantha C	HSD	Program Intake Rep
Smith, Kelly-Kristien L	FAS	Spec 1
Satoris, William	SCL	Prog Coordin

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

18 Withdrawals for a total of: \$322,215.00

Motion: Upon motion by Rod Rich, seconded by Glen Lee, the Board ratified the Retiree Payroll, Office Payroll, other Payments and Withdrawals.

Ratification of Service Retirements:

Information: The following list represents the retirements that have been processed since the last Retirement Board meeting.

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Bagocki, Joseph M	8/4/2011	32	162	City Light	Line CC	60
Binion Jr, Milton	8/9/2011	13	186	Muni Court	Muni Court Marshal	63
Briggs, Jerrold D	8/17/2011	30	2	FAS	Shop Ops Supv	60
Carson, Katherine L	9/1/2011	39	79	Health Dept	Regional Health Administrator	64
Granquist, Carl A	8/5/2011	20	2	Vested	Vested	60
Harrison, Laraine M	8/17/2011	11	1	Police	Admin Spec I - BU	67
Hill, Mamie D	8/29/2011	5	0	Vested	Vested	75
Hodge, Iris A	8/31/2011	10	356	Vested	Vested	63
Jose, Frank R	8/27/2011	17	94	Vested	Vested	60
Matteson, Kathy L	8/6/2011	10	162	Vested	Vested	62

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Owens,Vera A	8/17/2011	12	338	Human Services	Prgm Intake Rep	69
Quarfoth,Gary R	9/3/2011	20	96	Vested	Vested	61
Richards,Jacqueline L	8/6/2011	16	121	FAS	Actg Tech III	71
Schlichting,Joan Mary	8/26/2011	25	92	Library	Graph Web Spcl	55
Yapjoco,Lourdes I	8/26/2011	20	91	Muni Court	Court Cashier	75
Yukubousky,Richard P	8/26/2011	11	72	Vested	Vested	65
Average		18	149			64
Median		16	93			63

For the month of September: 24 new Members entered the System, 25 terminations, 16 Members retired in the System, 12 Members removed (\$14,679.42), no Option D/E continuations, 1 option C, and 1 option F reduction.

Motion: Upon motion by Glen Lee, seconded by David Stewart, the Retirement Board approved the service retirements listed above, pending final review.

Pension Account – Credited Interest

Lou Walter arrived at 9:15am.

There was an abundance of discussion surrounding credited interest. Mr. Seu read the policy to Board. The proposed policy indicates the Board will review the rate of interest paid on eligible member accounts annually. For calendar year 2012, SCERS will pay the following:

- For all employee contributions made on or before December 31, 2011 – 5.75% annual rate, compounded annually.
- For all employee contributions made after December 31, 2011 – 4.47% annual rate, compounded annually.

For all former employees of the City of Seattle with membership in SCERS who have less than five years of creditable services (are not vested) and have not established dual membership as promulgated under SMC 4.36.400 and the RCW 41.54.061; after twenty-four months from date of separation from City employment, SCERS will cease applying compounding credit interest on the former employees' accumulated employee contributions. SCERS staff is responsible for communicating this policy to all non-retired members.

- **Motion:** Upon motion by David Stewart, seconded by Glen Lee, the Retirement Board adopted the Statement of Credit Interest Policy. Mr. Lee, Mr. Harvey, Mr. Rich, Mr. Stewart voted yeah. Mr. Walter, Ms. Becker voted nah. The motion passed.

Councilmember Godden, Chair left the meeting at 9:45am due to another commitment.
Lou Walter chaired the meeting starting at 9:45am.

New Business:

(1) Support of City Council Resolution on Funding the SCERS ARC

John McCoy from Legislative Department gave an overview of the draft resolution affirming the City's commitment to fund the actuarial required contribution. No action taken.

Ratification of Investment Transactions and Statement of Securities and Cash:

Information: Provided in the Retirement Board packet is the Investment Summary report that represents the transaction summary and the market value of the investments as of August 31, 2011.

Ms. Carter reported for the month of August the portfolio was down 4.34% this compares to the S&P 500 which was down 5.43% for the month of August and the Russell 3000 which was down 5.99% for the month of August. Year-to-date as of August 31, 2011 the portfolio was down 1.88%

Motion: Upon motion by Rod Rich, seconded by Bob Harvey, the Retirement Board accepted the Investment Summary report.

Investment Committee Report:

Ms. Carter reported the Investment Committee met on September 29, 2011. Pension Consulting Alliance gave an overview of rebalancing policy considerations. PCA suggested that SCERS Investment Committee consider modifying its existing rebalancing policies/procedures to include modified ranges that can be utilized during challenging (highly volatile) market periods. The Investment Committee asked PCA to clarify the rebalancing ranges and re-submit for Committee approval.

Investment Activity Requiring Board Ratification and/or Recognition

DFA Benchmark Changes

Ms. Carter reported that PCA proposed that SCERS adopt new performance benchmarks beginning July 1, 2011 which reflect the investment opportunity set for both the DFA International Large Cap Value Fund and the DFA International Small Cap Fund. Currently Canada is not represented in the respective performance benchmarks utilized by SCERS and should be given DFA's investment strategy. Therefore, PCA recommends shifting from the MSCI EAFE Indexes to the MSCI World ex-US Indexes for the DFA Funds.

Motion: Upon motion of Bob Harvey, seconded by David Stewart, the Board of Administration adopted the MSCI World ex-USA Large Value Index (Net Dividends) for the DFA International Value Portfolio.

Motion: Upon motion of Jean Becker, seconded by David Stewart, the Board of Administration adopted the MSCI World ex-USA Small Cap Index (Net Dividends) for the DFA International Small Company Portfolio.

Ms. Carter reported that SCERS Investment Guide for New Trustee was provided by PCA at the September 29, 2011 Investment Committee meeting.

The November 17, 2011 Investment Committee meeting is the third Thursday of the month in lieu of the fourth Thursday due to the Thanksgiving holiday. The November 17th investment meeting will be from 9am – 3pm to conduct manager search presentations.

Executive Director Report:

Ms. Carter announced open enrollment for retirees begins in November. There is an increase in the 2012 insurance premium rates. Ms. Carter will provide information at the ARSCE meeting on October 12th.

Ms. Carter reported that she attended two meetings in September. The first was Smith Whiley and Company annual meeting of limited partners held in Hartford, CT on Thursday, September 15, 2011. The general partner reviewed the existing portfolio and performance of both the Pelham Funds II and III. SCERS is invested in Fund III – a mezzanine debt portfolio. The investment period for Fund III is coming to a close. The general partner is optimistic regarding the investments in the portfolio. There have been management changes within the SW organization that SCERS will monitor. The second meeting was the 2011 fall meeting of Council of Institutional Investors held in Boston on September 25 – 27, 2011. Presenters included representatives from other public pension plans, industry experts, elected officials (state and local government), and investment management firms. The CII 2012 spring conference will be in Washington DC and the 2012 fall conference will be in Seattle. The dates will be provided to the Board for possible attendance.

Old Business:

Status of Benefit Enhancements

Information: The estimated current funding level of the Retirement Fund is 63.36% as of August 31, 2011 on a marked-to-market basis.

The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

(1) Items to Discuss

- Investment Policy Guidelines
 - Hedge Funds – on hold

(2) Interdepartmental Team (IDT) Retirement Study (due to City Council Mid-2012 Budget)

In progress

The Board reserves the right to enter into executive session if necessary

Executive Session:

- The Board entered into executive session at 10:30am for 20 minutes to receive updated information on a litigation matter from legal counsel.
- Executive session ended at 10:50am.
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***** There were no actions taken *****

Adjournment:

Motion: Upon motion by Rod Rich, seconded by Glen Lee, the Retirement Board voted to adjourn the meeting at 10:50 am.

David Stewart, Secretary